

APPRAISAL REPORT

6 Ocean Front South
Salisbury, Massachusetts

Prepared for:
Todd & Weld, LLP
Attorneys at Law
28 State Street
Boston, Massachusetts 02109

Authorized by:
Ian Crawford, Esq.

Prepared by:
Petersen/LaChance Realty Advisors
100 Conifer Hill Drive
Danvers, Massachusetts 01923

Date of Value:
December 23, 2005

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

January 6, 2006

Todd & Weld, LLP
28 State Street
Boston, Massachusetts 02109
Attn.: Ian Crawford, Esq.

RE: Appraisal of 6 Ocean Front South, Salisbury, Massachusetts; Carefree
Park Corporation vs. Adib Nabhan

Dear Attorney Crawford:

In accordance with your request, I respectfully submit a narrative appraisal report that sets forth my fee simple market value estimate of the above referenced property. This is a Summary Report, intended to comply with Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice.

The narrative appraisal report that follows presents the identification of the subject property, assumptions and limiting conditions, certification of value, a summary of pertinent facts about the subject property and comparable data and a summary of the results of my analysis leading to the conclusions. This represents a complete appraisal in a summary report format. As such, the scope of this assignment has not been limited (i.e., the Departure Rule has not been invoked), but the data, analyses and conclusions are presented in a summary format.


After inspecting the property and analyzing the data as presented, I estimate the fee simple market value of the subject 6 Ocean Front South property, "as is", as of December 23, 2005 to be:

*** \$750,000 ***

(SEVEN HUNDRED FIFTY THOUSAND DOLLARS)

My value estimates and related analyses are intended for the information of the client, United States District Court and those having an interest in the above referenced case. The report may not be referred to or quoted in any agreement or document without my written consent.

Respectfully,


John G. Petersen, MAI, SRA
Massachusetts General Certificate No. 837

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

TABLE OF CONTENTS

Executive Summary.....	4
Certification.....	11
Standard Assumptions and Limiting Conditions	13
Scope of Analysis	16
Subject Property Identification	17
Purpose and Intended Use of the Report.....	18
Market Value Definition	18
Property Rights Appraised.....	19
Date of Appraisal	19
Regional, Municipal, and Neighborhood Summary	20
Site and Improvements Summary	23
Highest and Best Use Summary	24
Methodology	26
Sales Comparison Approach.....	27
Development Analysis	35
Final Reconciliation	42
Addenda Items	
Appraiser Qualifications	

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Executive Summary

Property Description

Location	6 Ocean Front South, Salisbury, Massachusetts
Type	Arcade
Site	One tax parcel containing 0.11 acre
Improvements	One-story, concrete block building constructed in 1977; building contains the Carefree Arcade; total gross building area is 4,560 square feet
Ownership	Adele Nabhan
Zoning	Beach Commercial; Ocean Front South Revitalization Subdistrict of Salisbury Oceanfront Overlay District

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Appraisal Assignment

Purpose	Estimate market value, "as is"
Intended Use	Litigation
Interests Appraised	Fee simple
Date of Value	December 23, 2005
Date of Report	January 6, 2006

Highest and Best Use

Immediate development of a six-unit residential condominium

Indications of Value

Cost Approach	Not Applicable
Sales Comparison Approach	\$750,000
Development Approach	\$780,000
Value Attributed to Non-Realty	None

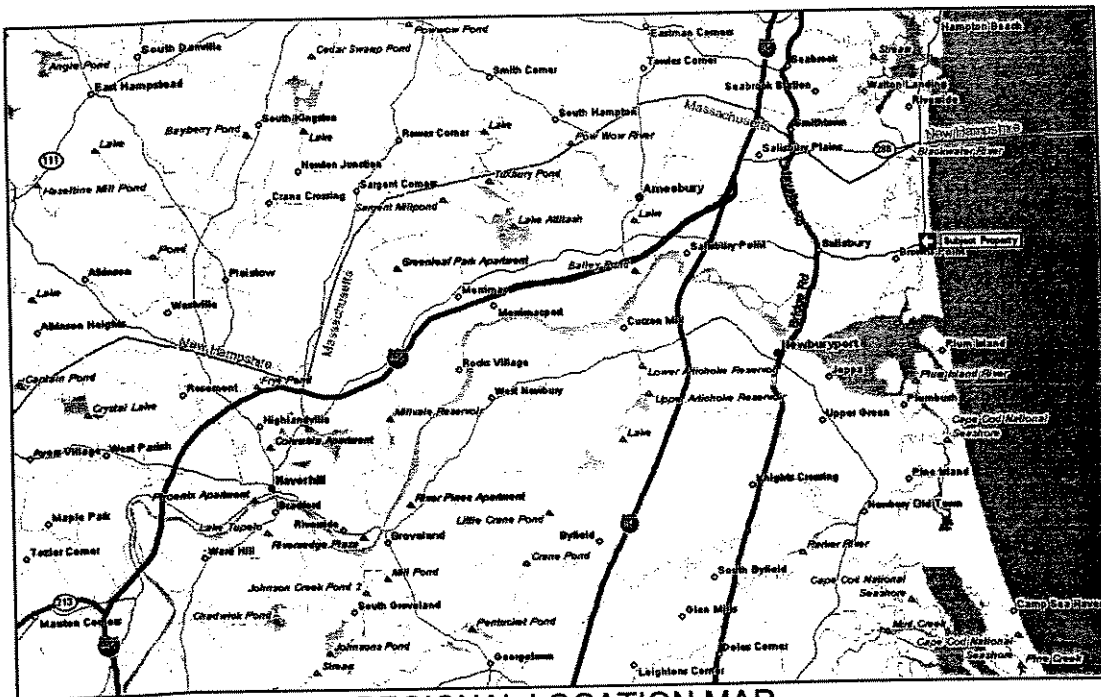
PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

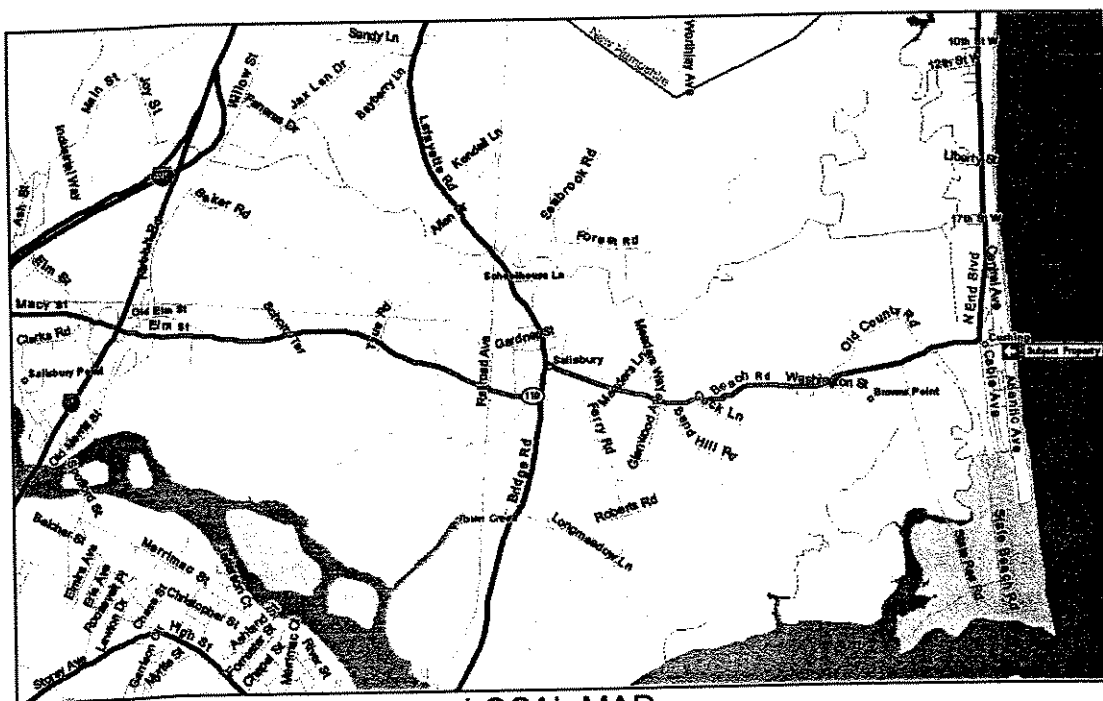
100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456



REGIONAL LOCATION MAP



LOCAL MAP

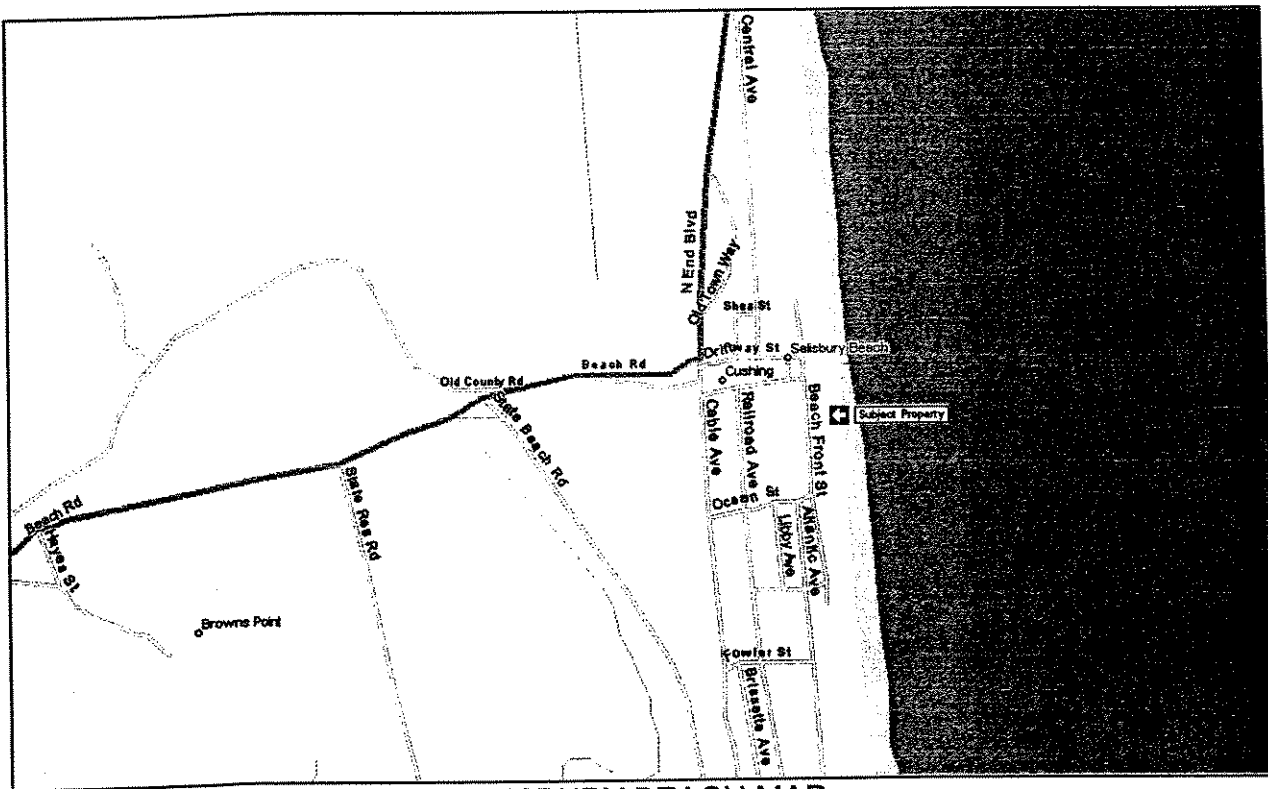
PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456



SALISBURY BEACH MAP

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456



Photo of Subject Property Facing Northwest

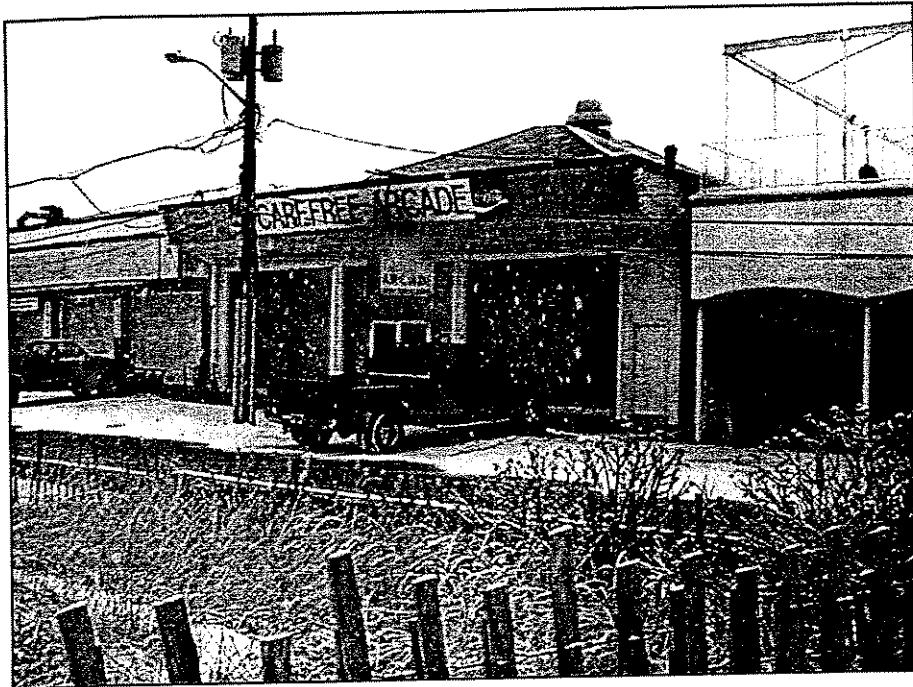


Photo of Subject Property Facing Southwest

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

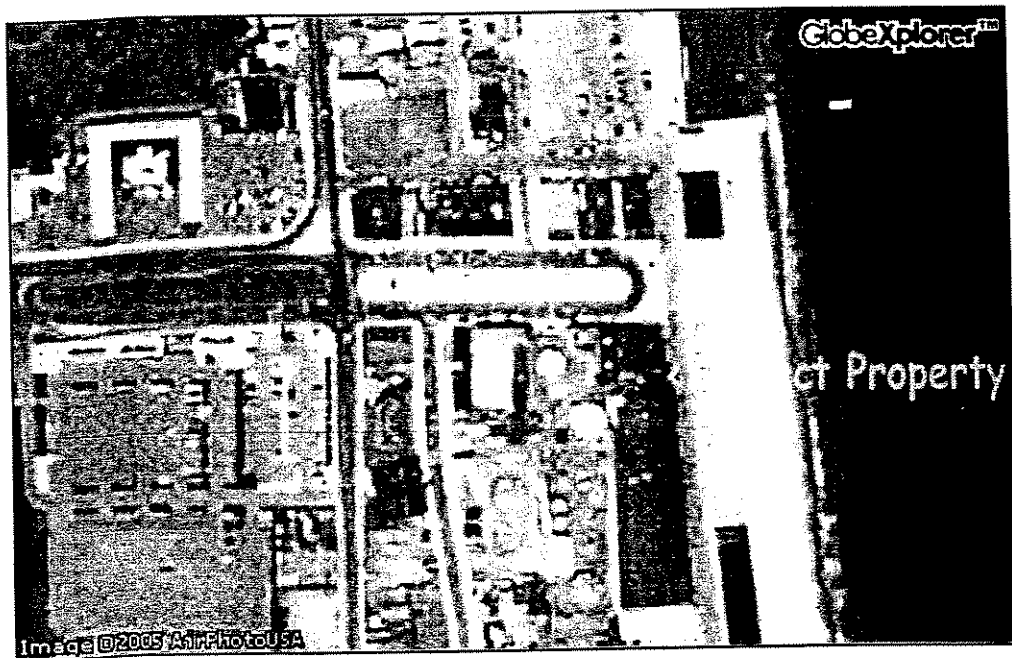
(978) 750-6667 • fax (978) 750-0456



AERIAL VIEW OF SALISBURY BEACH

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456



AERIAL VIEW OF SUBJECT PROPERTY

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Certification

I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct;
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions;
- this appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan;
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved;
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions of this report;
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
- John G. Petersen inspected the subject property on December 23, 2005;
- no one provided significant professional assistance to the person signing this report;
- I certify to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

- as of the date of this report, John G. Petersen has completed the requirements of the continuing education program of the Appraisal Institute;
 - I do not authorize the out-of-context quoting from or partial reprinting of this appraisal report;
 - John G. Petersen is appropriately certified to appraise the subject property in the State in which it is located;
- the Departure Rule has not been invoked in the preparation of this appraisal as specifically outlined in the body of the report;
- further, neither all nor any part of the appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraisers signing this appraisal report.

Petersen/LaChance Realty Advisors


John G. Petersen, MAI, SRA
Principal

Date: 1/10/06

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Standard Assumptions and Limiting Conditions

The appraiser assumes:

1. That the subject property's fee simple estate as defined by this report is marketable and that the property is free and clear of all liens, encumbrances, easements and restrictions, unless otherwise noted;
2. No liabilities legal in nature;
3. The property ownership and management are in competent, responsible hands;
4. That the property is not operating in violation of any applicable government regulations, codes, ordinances, or statutes. Any zoning variations and special permits currently in place are assumed to be available as of the date of value;
5. That there are no concealed or dubious conditions of the subsoil or subsurface waters, including water table and flood plain;
6. The appraiser personally inspected the subject property. When the date of inspection differs from the effective date of appraised value, the appraiser has assumed no material change in the condition of the property, unless otherwise noted in the report.

The following limiting conditions are submitted with this report and the estimated value of the subject as set forth in this appraisal is predicated on them.

1. All of the facts, conclusions and observations contained herein are consistent with information available as of the date of valuation. The value of real estate is affected by many related and unrelated economic conditions, both local and national. John Petersen, or Petersen/LaChance Realty Advisors, or affiliates, therefore assumes no liability for the effect on this subject property of any unforeseen precipitous change in the economy.
2. The valuation, which applies only to the property described herein, was prepared for the purpose so stated and should not be used for any other purpose.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

3. The appraiser has made no survey of the property. Any and all maps, sketches, and site plans provided to the appraisers are presumed to be correct, but no guarantee is made as to their accuracy.
4. Any information furnished by others is presumed to be reliable and, where so specified in the report, has been verified, but no responsibility, whether legal or otherwise, is assumed for its accuracy nor can it be guaranteed as being certain. No single item of information was completely relied upon to the exclusion of any other information.
5. The signatories herein shall not be required to give testimony or attend court or appear at any governmental hearing with reference to the subject property, unless prior arrangements have been made.
6. Disclosure of the contents of this report is governed by the bylaws of the Appraisal Institute. Neither this report nor any portions thereof (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or the MAI, SRPA, RM or SRA designation) shall be disseminated to the public through public means of communications without the prior written consent and approval of the appraisers and the firm which they represent.
7. The report does not take into consideration the possibility of the existence of toxic, hazardous, or contaminated substances and/or underground storage tanks containing hazardous material. The report does not consider the cost of encapsulation, treatment, remediation or removal of such material. If the property owner has a concern over the existence of such conditions in the subject property, the appraisers consider it imperative to retain the services of a qualified engineer or contractor to determine the existence and extent of such hazardous conditions. Such consultation should include the estimated cost associated with any required treatment or removal of hazardous material.
8. Legal and regulatory requirements were not ascertained, except for zoning applicable to this project, including permits and licenses and other state and local government regulations. Further, no effort has been made to determine the possible effect on the subject property of present or future federal, state or local legislation or any environmental or ecological matters.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

9. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost to cure the property's potential physical characteristics, the real estate appraisers cannot comment on compliance to ADA. A brief summary of physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Scope of Analysis

In undertaking this appraisal assignment John Petersen has performed a limited inspection of the subject property. Mr. Petersen has investigated market trends by undertaking a survey of sales of land and improved property, as well as development projects in the Salisbury Beach area of Salisbury. Information gathered from this investigation was used as a basis for understanding the achievable prices for various uses, including residential condominium projects. Research was conducted in order to establish levels of market demand in relation to supply in order to estimate the highest and best use of the subject property, and ultimately the market value.

The sales comparison has been utilized to estimate the value of the subject property by relevant units of comparison. A development analysis (as a sub-approach to the income capitalization approach) has been utilized to estimate the value of the subject property, under the assumption that the highest and best use of the site is a multi-unit residential condominium.

The client has advised the appraiser that access to the property and private records relating to the property will not be provided. Therefore, a limited inspection of the subject property has been performed. The appraiser has relied on public records for physical and legal descriptions of the property. No financial or other information was provided relative to the current arcade operations.

Notwithstanding, the scope of this assignment has not been limited (i.e., the Departure Rule, pursuant to the Uniform Standards of Professional Appraisal Practice, has not been invoked), but the data, analyses and conclusions are presented in a summary format.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Subject Property Identification

According to the Town of Salisbury Assessor's Office, the subject property consists of one tax parcel. The parcel is identified as Map 32, Lot 75. It contains 0.11 acre of land. According to municipal records, the subject property is owned by Adele Nabhan.

The subject property appears to function as a seasonal arcade.

The 0.11-acre site appears to be entirely covered with a one-story concrete block building. There is no off-street parking. The property fronts on the west side of Ocean Front South, a public way running parallel to the Atlantic Ocean, just across the street from Salisbury Beach.

It appears that title to the subject property has remained with the current owner for the past several years. The appraiser has no information as to whether the property is currently being marketed for sale, or is under agreement for sale.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Purpose and Intended Use of the Report

The purpose of this appraisal is to estimate the "as is" market value of the subject property. The intended use of this appraisal is to assist the client and the United States District Court in the Civil Action of Carefree Park Corporation vs. Adib Nabhan.

All real property associated with the property rights appraised is included in this valuation.

Market Value Definition

In accordance with generally recognized appraisal guidelines and as required by Title XI of the Financial Institution Reform, Recovery and Enforcement Act (FIRREA) of 1989 market value is defined as follows:

Market Value -- means the most probable price which a property should bring in competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (A) buyer and seller are typically motivated; (B) both parties are well informed or well advised, and each acting in what they consider their own best interest; (C) a reasonable time is allowed for exposure in the open market; (D) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (E) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.¹

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Property Rights Appraised

Property rights appraised herein include all benefits to which fee simple ownership is entitled as of the date of value. "Fee simple" is defined as:

Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.²

Date of Appraisal

The estimated value of the subject property is as of December 23, 2005. A limited inspection of the subject property was conducted by John G. Petersen, MAI, on December 23, 2005.

² The Dictionary of Real Estate Appraisal, Second Edition, copyright 1989, by the American Institute of Real Estate Appraisers.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Regional, Municipal, and Neighborhood Summary

The town of Salisbury is located in Essex County in northeastern Massachusetts. It is bordered on the west by the town of Amesbury, on the south by the Merrimack River and Newburyport, on the east by the Atlantic Ocean, and on the north by Seabrook, New Hampshire. Salisbury has a population of approximately 7,500, with a land area of 16.13 square miles. The town is 40 miles north of Boston and 20 miles south of Portsmouth, New Hampshire. The town lies within the Merrimack Valley region of eastern Massachusetts.

Salisbury is predominantly a residential community. There is a sizable influx of tourists to Salisbury Beach and the Salisbury Beach State Reservation during summer, both of which are along the Atlantic Ocean, approximately two miles east of the town's small central business district. Salisbury Beach is a popular tourist destination for families throughout New England and the Maritime Provinces of Canada. A large percentage of those who travel to Salisbury Beach during summer vacation rent or own cottages on or near the beach. It is also a popular day trip for many throughout the Merrimack Valley who drive to the beach for a day of swimming, sun bathing and frequenting the shops and arcades adjacent to the beach.

The subject property is located on the west side (i.e., opposite the beach side) of Ocean Front South in the Salisbury Beach section of town. Ocean Front South runs in a southerly direction from Broadway, which marks the epicenter of the Beach district. The subject is just over one hundred feet south of the intersection with Broadway.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Land uses in the vicinity of the subject property consist of a mixture of residential and commercial uses. The majority of uses to the south of the subject are residential; commercial uses dominate to the north. The commercial uses in the vicinity of the subject are mostly seasonally oriented shops, fast-food restaurants, arcades and taverns that lie on both sides of Broadway and the first block of Ocean Front South. Most of the residential uses to the south range from single family houses to multi-family structures, many of which have been converted to condominiums over the past few years. Residential condominium development on Salisbury Beach has expanded dramatically over the past few years.

Utilities serving the neighborhood include telephone and electricity on overhead lines. There are municipal water and sewer lines serving the district. The public water service is under the jurisdiction of the Pennichuck Water Company, a private company that manages the public system for the Town. Additional sewage capacity exists at the Town's sewage treatment plant, but public water is in limited supply. Natural gas is also available in the beach area.

In conclusion, the regional economy slowed considerably from early 2000 through 2003, with continued losses in manufacturing employment exacerbating demand for office and industrial space. Unemployment increased over most of this decade, despite real growth in the labor force. More recently, the manufacturing sector continues to contract, albeit at a slower pace, but consumer spending remains high. Despite continued excess supply of office and industrial space, the residential market has continued to expand with prices increasing rapidly for all types of housing in eastern Massachusetts and southern New Hampshire. The regional economic base remains diverse and one of the strongest in the nation. Most informed observers feel that the regional economy should continue to improve during 2006.

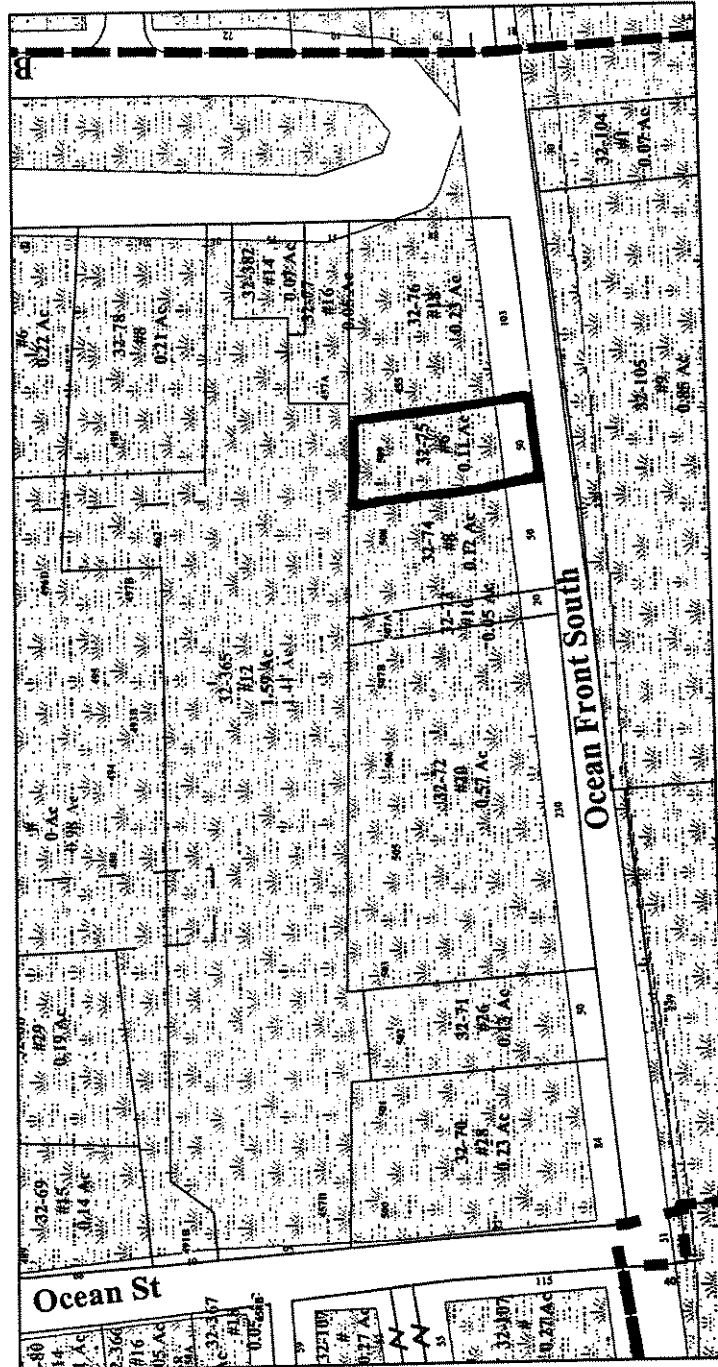
PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456



SUBJECT ASSESSOR'S MAP

(subject parcel highlighted – Atlantic Ocean to the right)